

EXHIBIT C

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STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of the Joint Application of ATEAC,
INC., and ARCTIC SLOPE TELEPHONE
ASSOCIATION COOPERATIVE To Transfer
Assets Operated Pursuant to Certificate of Public
Convenience and Necessity No. 3, Authorizing
Provision of Telecommunications (Local
Exchange) Public Utility Service, From ATEAC,
INC., To ARCTIC SLOPE TELEPHONE
ASSOCIATION COOPERATIVE

U-99-120

ORDER NO. 4

**ORDER ACCEPTING STIPULATION,
SUBJECT TO CONDITIONS: DESIGNATING ELIGIBLE TELECOMMUNICATIONS
CARRIER STATUS; AND REQUIRING FILING**

BY THE COMMISSION:

Introduction

On October 20, 1999, the corporate shareholders of ATEAC, Inc.
(ATEAC),¹ and ASTAC; filed a joint application to transfer the assets and service areas
held by GTE ALASKA INCORPORATED (GTEA) in Barrow. By Order U-99-107(5),

¹ATEAC is an Alaska corporation owned by four other Alaskan corporations:
ALASKA TELEPHONE COMPANY (ATC); ARCTIC SLOPE TELEPHONE
ASSOCIATION COOPERATIVE, INC. (ASTAC); TELALASKA, INCORPORATED
(TelAlaska) d/b/a MUKLUK TELEPHONE COMPANY, INC. (Mukluk) and INTERIOR
TELEPHONE COMPANY (ITC); and UNITED KUC-INC (United).

1 dated July 11, 2000, the Commission approved the application of ATEAC to acquire all
2 of the assets and service areas held by GTEA in Alaska. This matter addresses the
3 transfer of assets and service areas from ATEAC to ASTAC.
4

5 On May 5, 2000, the parties to this proceeding filed a stipulation resolving
6 all outstanding issues. A copy of the stipulation is attached to this Order as an Appendix
7 and, by this reference, is incorporated herein.

8 By Order U-99-120(3),² dated May 17, 2000, the Commission affirmed the
9 hearing schedule in this proceeding. The purpose of the hearing in this proceeding was
10 to require the parties to make their witnesses available for the Commission inquiry
11 regarding the stipulation and the prefiled testimony and exhibits.
12

13 On May 19, 2000, ASTAC filed a motion to accept the prefiled testimony
14 of Steven R. Tarola via the affidavit of Tarola. ASTAC asserted that Tarola would be
15 unavailable on the date and time of the hearing. ASTAC further requested expedited
16 consideration of its motion.
17

18 The hearing convened, as scheduled, on May 26, 2000. At the onset of the
19 hearing, ASTAC withdrew its motion to accept the prefiled testimony of Tarola via
20 affidavit. During the hearing, ASTAC presented the testimony of David S. Fauske,
21 General Manager of ASTAC; Steven R. Tarola,³ Chief Financial Officer of ASTAC; James
22

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24 ²That Order was issued as part of a joint decision published as Order
U-99-119(3)/U-99-120(3)/U-99-121(3)/U-99-122(3)/U-99-123(3).

25 ³ The testimony and exhibits of Tarola were sponsored by Remi Sun.
26

1 O. Wickham, General Chief Technology Officer of ASTAC; Remi Sun, Information
2 Services and Regulatory Manager of ASTAC; Donald F. May, consultant; James A.
3 Durant, consultant; and James S. Vorderstrasse, Mayor of the City of Barrow. The Public
4 Advocacy Section (PAS) presented the testimony of Lew Craig, Chief of the PAS. The
5 Commission incorporated, by reference, the testimony elicited in Dockets U-99-107 and
6 U-99-119 from Gerard Duffy, counsel for ATEAC before the Federal Communications
7 Commission (FCC).
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10 Discussion

11 The Commission has taken into consideration the stipulation, prefiled
12 testimony and exhibits, and the testimony elicited during hearing. Based on this
13 evidence, the Commission has determined that the stipulation is reasonable and should
14 be accepted. Acceptance of the stipulation is subject to the express condition that for the
15 purpose of approving acquisitions in the future, no issue should be considered to have
16 been finally determined or adjudicated by virtue of Commission acceptance of the
17 stipulation.
18

19 The statutory standard applicable to the transfer and acquisition of utility
20 assets and service territory is that the transferee is fit, willing, and able to provide the
21 proposed service and that the proposed service is affirmatively consistent with the public
22 interest. (See AS 42.05.241, AS 42.05.281.) The Commission has determined that
23 ASTAC is fit, willing, and able to provide the proposed service.
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1 ASTAC has made financing arrangements to purchase the Barrow
2 exchange for approximately \$6,115,000. (T-4, p. 7.) ASTAC intends to make a down
3 payment of approximately 20 percent, or \$1,225,000. (T-4, p. 7.) ASTAC has obtained
4 financing for the remainder of the purchase price through the Rural Telephone Finance
5 Cooperative (RTFC). (T-4, p. 7.) Specifically, RTFC has committed to provide financing
6 to ASTAC in the amount of \$5,147,368 for a term of 15 years at an annual interest rate
7 of approximately 7.5 percent. (T-4, p. 7; Application, Exhibit H, p. 2.) Of the total loan
8 amount, \$4.89 million will be used to finance the purchase of the assets of ATEAC in
9 Barrow. (Application, Exhibit H, p. 2.) The remaining \$257,368 will fund the purchase
10 of 5 percent RTFC Subordinated Capital Certificates. (Application, Exhibit H, p. 2.)
11

12 According to ASTAC, the net book value of the plant to be acquired is
13 approximately \$2,625,666. (Application, Exhibit B, p. 1.) In its review of the application,
14 the Commission notes that ASTAC has estimated the net book value of plant to be
15 acquired, and related acquisition adjustment utilizing values reported in GTEA's Form M.
16

17 As discussed in greater detail in Order U-99-107(5), the Commission notes that GTEA
18 appears to have reduced the net book value of its plant by approximately \$2.7 million
19 several years ago,⁴ but did not similarly adjust the net book value of its plant for
20
21

22 ⁴GTEA does not appear to have apprised the Commission of any event or
23 change in accounting methods for the period(s) in which GTEA's testimony indicates
24 the FAS 71 adjustment was recorded in order to reduce its plant net book value for
25 GAAP. On an annual basis, GTE is required to inform the Commission of any
26 changes in accounting standards at Schedule A-6 of its annual operating report,

1 regulatory purposes. Therefore, the Commission has some concern that the net book
2 value of \$2, 625,666 may be overstated for regulatory purposes.

3
4 Accordingly, the Commission must have an adequate opportunity to review
5 the documents required to be filed by GTEA by Order U-99-107(5), and make a
6 determination that the net book value of the assets proposed to be transferred is proper
7 for regulatory purposes. Until the Commission makes that determination, approval of this
8 application is conditioned upon ASTAC being required to utilize the net book value of
9 GTEA's plant, as of the date the transaction closes, as determined in accordance with
10 generally accepted accounting principles (GAAP) for the purpose of calculating an
11 acquisition adjustment in future ratemaking proceedings.
12

13 According to ASTAC, the purchase price results in an acquisition
14 adjustment of approximately \$3.5 million. (T-5, p. 12.) However, as noted above, the
15 Commission will not be able to make a determination regarding the level of acquisition
16 adjustment until it has determined the net book value of the plant for regulatory purposes.
17

18 Nonetheless, the parties have concurred that the approval of this application should be
19 conditioned upon ASTAC's not recovering any acquisition adjustment in rates for the
20 provision of service in Barrow.

21 The Commission has determined that it is appropriate to exclude any
22 acquisition adjustment from the rates ASTAC intends to charge its consumers.
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24
25 required under AS 42.05.451(b).
26

1 (AS 42.05.441.) However, the Commission notes that ASTAC is not economically
2 regulated. Telecommunications service provided by GTEA is economically regulated,
3 thus the rates established in Barrow and other communities served by GTEA have been
4 approved by the Commission. With the approval of this acquisition, ASTAC would have
5 one area, Barrow, that is economically regulated. The Barrow exchange continues under
6 economic regulation until ASTAC conducts a successful deregulation election. If that
7 deregulation is not successful, the Barrow exchange will remain under the Commission's
8 economic jurisdiction. Therefore, the Commission has concluded that ASTAC may not
9 recover any portion of the acquisition adjustment from ratepayers in Barrow.
10

11
12 The parties concurred that ASTAC should conduct a deregulation election
13 involving the subscribers in Barrow pursuant to AS 42.05.712 and 3 AAC 49.010, *et. seq.*
14 or by June 30, 2002, file a revenue requirement study and cost-of-service study for the
15 Barrow local exchange and Barrow local special access jurisdictions using a test year
16 ended December 31, 2001. (Stipulation, p. 8.) If ASTAC conducts a deregulation
17 election, the parties concurred on the appropriate language and procedures to be used
18 to conduct such an election. (Stipulation, pp. 8-9.) The Commission has concluded that
19 this condition is reasonable and should be accepted.
20

21 The Commission has determined that the management team of ASTAC
22 has the expertise necessary to manage telecommunications utilities in Alaska.
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1 (T-5, pp. 15-16.) ASTAC has been providing local exchange service to rural and remote
2 locations in Alaska for approximately twenty years. (T-5, p. 15.)
3

4 The Commission has concluded that the transfer is affirmatively consistent
5 with the public interest. ASTAC intends to provide service under GTEA's current tariffs
6 on file with the Commission until those rates are adjusted by the Commission or until a
7 deregulation election has been certified. (Stipulation, p. 9.) Moreover, after ASTAC
8 acquires the former GTEA service area the customers in Barrow will have one member
9 on the ASTAC Board of Directors. (Tr. 14-15.) While this level of representation is
10 disproportionate to the percentage of ASTAC's total customer base that Barrow
11 represents, this situation is preferable to the current arrangement where the customers
12 in Barrow have no representation. (Tr. 15.)
13

14 Acquisition of the Barrow exchange will enhance ASTAC's plans for
15 network development. (Tr. 22-23.) Barrow is a key location in the North Slope Borough
16 and ASTAC's former network development plans required it to work around the GTEA
17 service territory in Barrow. (Tr. 23.) Approval of the acquisition will permit ASTAC to
18 build facilities directly in Barrow to serve customers and terminate calls. (Tr. 23.)
19

20 ASTAC notified its members of its intent to purchase the GTEA⁵ assets
21 during the course of its annual meetings for the past three years. (Tr. 47.) These
22

23 ⁵ASTAC presented the potential purchase of GTEA properties to its members.
24 However, given the structure of the acquisition in the application, this case actually
25 effects a transfer from ATEAC to ASTAC because the transfer from GTEA to ATEAC
26

1 meetings are held in each village ASTAC serves and each member receives notice of the
2 meetings. (Tr. 46-47.) Members were informed of the estimated cost of acquisition and
3 other basic terms. (Tr. 47.) The members' reaction to the acquisition of the GTEA
4 property in Barrow was positive. (Tr. 48.)

5
6 ASTAC will be able to enjoy some economies of scale and scope such as
7 locating personnel and warehouse facilities in Barrow. (Tr. 48.) Locating personnel and
8 facilities in Barrow will benefit the other villages ASTAC serves because Barrow acts as
9 a hub for the region. (Tr. 48.) Therefore, personnel or equipment could be utilized, as
10 necessary, in Barrow or could be easily deployed to another village with a need. (Tr. 48.)
11

12 In addition to the issues raised by the parties, the Commission must
13 evaluate whether approval of this acquisition requires housekeeping changes to the
14 eligible telecommunications carrier obligations placed on carriers seeking to receive
15 federal universal service support. Both GTEA and ASTAC currently receive federal
16 universal service support. To receive universal service support a carrier must have
17 Eligible Telecommunications Carrier (ETC) status for the geographic area ("ETC Service
18 Area") receiving funding.⁶ In the case of a rural carrier, the ETC Service Area must be
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23 was approved by Order U-99-107(5).
24

25 6 See 47 U.S.C. §§ 214(e)(1), 254(e), and 47 C.F.R. § 54.201(a).
26

1 the carrier's study area unless both this Commission and the FCC establish a different
2 definition of service area for the carrier.⁷

3
4 By Order U-97-168(1), dated December 19, 1997, the Commission, among
5 other things, granted GTEA ETC status for the service area included in Certificate of
6 Public Convenience and Necessity (Certificate) No. 3. GTEA was also required to
7 provide customer notification of its services by the means specified in Order U-97-168(1).

8 The Commission determined that it was appropriate to transfer GTEA's ETC status and
9 ETC obligations to ATEAC by Order U-99-107(5) to eliminate any disruption in universal
10 service funding for the service area to be transferred. However, according to this Order,
11 ATEAC is required to return Certificate No. 3 for cancellation and ASTAC's Certificate will
12 be modified to include the transferred service area. ASTAC does not hold ETC status
13 for the acquired service area.
14

15 In order to forestall the possibility of denial of federal universal service
16 funding for the acquired service area, the Commission hereby transfers the ETC status
17 and ETC obligations of ATEAC associated with the purchased service area to ASTAC
18 upon closing. The only remaining issue concerns the ETC Service Area designation and
19 any special conditions that should apply.
20

21 By Order U-97-172(1), dated December 19, 1997, ASTAC was designated
22 ETC status for the study area it is authorized to serve under Certificate No. 257. It is
23

24
25 ⁷ See 47 U.S.C. § 214(e)(5).
26

1 unclear at this time whether ASTAC will have one or two study areas under Certificate
2 No. 257 after closing and the FCC decision on the request for study area waiver. The
3 Commission therefore determines that ASTAC is granted ETC status for each study
4 area(s) approved by the FCC in response to the study area waiver request.
5

6 The Commission notes that ASTAC has requested a study area waiver
7 from the FCC. While the Commission does not agree with ASTAC that the FCC will
8 automatically grant such a waiver, the Commission does not oppose the waiver.
9

10 The Commission further notes that ASTAC intends to obtain a waiver of
11 FCC price cap regulations⁸ that, in part, require ASTAC to become a price cap carrier
12 within a year after purchasing any GTEA exchange subject to price cap regulation.
13 Representations have been made to this Commission that the FCC typically grants such
14 waivers and the Commission's evaluation of whether this acquisition is in the public
15 interest is predicated on the assumption that waiver of the price cap regulations would
16 be granted. Absent waiver by the FCC, the Commission notes that ASTAC customers
17 would likely observe an increase in their federal subscriber line charge and would be
18 subject to the reformed "CALLS" interstate access charge mechanism recently adopted
19 by the FCC and applied to price cap carriers. The Commission has insufficient evidence
20 at this time to conclude that this acquisition is in the public interest if the price cap waiver
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25 ⁸See 47 C.F.R. § 61.41.
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1 is denied. Therefore, approval of the application is subject to the condition that ASTAC
2 obtain a waiver of FCC price cap regulations.
3

4 In order to ensure that ASTAC completes the following tariff requirements
5 in a timely manner, ASTAC will be required to inform the Commission of the exact date
6 this transaction closes. The Commission has determined that it is reasonable for ASTAC
7 to file a formal adoption notice of the rates, rules, and regulations in the GTEA tariff
8 applicable to Barrow within thirty days of the date of closing. (3 AAC 48.400.)
9

10 According to 3 AAC 48.410, an acquiring utility is also required, within 90
11 days of filing the adoption notice, to file rates, rules, and regulations for the acquired area
12 as either a part of its own tariff or as a separate tariff in its own name if it plans to
13 continue to operate in accordance with it. In this case, ASTAC is not economically
14 regulated and the Commission does not have a currently approved tariff on file for
15 ASTAC. ASTAC has agreed to be bound by the GTEA rate structure for the acquired
16 area until it files a revenue requirement and cost-of service study in accordance with 3
17 AAC 48.275 or conducts a successful deregulation election. Thus, ASTAC intends to
18 provide service under certain provisions of the GTEA tariff on a short-term basis.
19

20 Therefore, it will be necessary for ASTAC to file a tariff governing the
21 provision of utility service in general. The Commission notes that GTEA's tariff has
22 already been approved by the Commission and its usage, at least on a temporary basis,
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1 could ensure a smooth transition for the affected customers in Barrow. However, ASTAC
2 may elect to file a different tariff in its own name for the provision of service in Barrow.
3

4 Based on the foregoing, the Commission concurs with the parties that the
5 evidence in the record supports a finding that ASTAC is fit, willing, and able to acquire
6 certain assets and service areas operated under Certificate No. 3 and that such
7 acquisition is affirmatively consistent with the public interest. Accordingly, the application
8 is approved, subject to the conditions stated earlier in this Order.
9

10 ATEAC shall be required to return Certificate No. 3 for cancellation.
11 ASTAC should file a service area description⁹ as well as revised U.S. Geological Survey
12 maps reflecting the additional service territory approved in this Order. The Commission
13 will revise Certificate No. 257 to include the community of Barrow.

14 This Order constitutes the final substantive decision by the Commission.
15 This decision is appealable within thirty days of the date of this Order in accordance with
16 AS 22.10.020(d) and the Alaska Rules of Court, Rules of Appellate Procedures, Rule
17 602(a)(2); In addition to the appellate rights afforded by the aforementioned statute, a
18 party may file a petition for reconsideration in accordance with 3 AAC 48.105. In the
19 event such a petition is filed, the time period for filing an appeal is then calculated in
20 accordance with Alaska Rules of Court, Rules of Appellate Procedure, Rule 602(a)(2).
21
22

23 ⁹This service area description should also be filed with a 3.5-inch diskette or
24 CD formatted in an IBM compatible form using MS Word format and contain the text
25 of the filing made to the Commission in accordance with 3 AAC 48.090(b)(4).
26

ORDER

THE COMMISSION FURTHER ORDERS:

1. The stipulation filed in this matter is accepted, subject to the conditions set forth in the body of this Order.

2. By 4 p.m., August 11, 2000, ATEAC INC., shall return Certificate of Public Convenience and Necessity No. 3 to the Commission for cancellation.

3. The Eligible Telecommunications Carrier status and obligations of ATEAC, Inc., associated with the Barrow service area are transferred to Arctic Slope Telephone Association Cooperative, Inc., upon closing of the sales agreement.

4. The Eligible Telecommunications Carrier Service Areas under the Telecommunications Act of 1996 at Section 214 for Arctic Slope Telephone Association Cooperative, Inc., shall be its individual study area(s) that exist of acquisition closing with later adjustment, if necessary, to reflect the decision of the Federal Communications Commission in response to the study area waiver request associated with Barrow.

5. Arctic Slope Telephone Association Cooperative, Inc., shall file a notice informing the Commission of the closing date of the acquisition.

6. By 4 p.m. August 11, 2000, Arctic Slope Telephone Association Cooperative, Inc., shall file a revised service area description and revised U.S. Geological Survey maps reflecting the service territory approved in the body of this Order.

1 7. Within thirty days of the date of closing, Arctic Slope Telephone
2 Association Cooperative, Inc., shall file a formal tariff adoption notice in accordance with
3 3 AAC 48.400, as more fully discussed in the body of this Order.
4

5 8. Within ninety days of filing the formal tariff adoption notice, Arctic
6 Slope Telephone Association Cooperative, Inc., shall file rates, rules, and regulations for
7 the acquired service area, in accordance with 3 AAC 48.410, as more fully discussed in
8 the body of this Order.
9

10 9 By 4 p.m., June 30, 2002, Arctic Slope Telephone Association
11 Cooperative, Inc., shall file a revenue requirement study and a cost-of-service study for
12 its local exchange and its local special access jurisdictions in Barrow, using a test year
13 ended December 31, 2001 or, in the alternative, conduct a deregulation election as more
14 fully discussed in the body of this Order.
15

16 DATED AND EFFECTIVE at Anchorage, Alaska, this 12th day of July, 2000.

17 BY DIRECTION OF THE COMMISSION
18 (Commissioners Will Abbott and
19 James S. Strandberg, not participating.)
20



STATE OF ALASKA

THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James Strandberg

In The Matter of the Joint Application of)
ATEAC, INC. and ARCTIC SLOPE TELE-)
PHONE ASSOCIATION COOPERATIVE,)
INC. To Transfer Assets Operated Pursuant)
to Certificate of Public Convenience and)
Necessity No. 3, Authorizing Provision of)
Telecommunications (Local Exchange) Public)
Utility Service from ATEAC, INC. to ARCTIC)
SLOPE TELEPHONE ASSOCIATION)
COOPERATIVE, INC.)

U-99-120

**STIPULATION FOR APPROVAL OF APPLICATION
SUBJECT TO CONDITIONS**

This Stipulation is by and among ATEAC, Inc. ("ATEAC"), Arctic Slope Telephone Association Cooperative, Inc. ("ASTAC") and the Public Advocacy Section of the Regulatory Commission of Alaska (the "PAS"), and is expressly subject to the approval of the Regulatory Commission of Alaska ("the Commission").

I

INTRODUCTION AND OVERVIEW

1. The three parties to this Stipulation constitute all of the parties of record to Docket U-99-120.

DE LISIO MORAN
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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42582

ORDER U-99-120(4)
APPENDIX
Page 1 of 11

2. By this Stipulation, the parties propose to resolve all of the issues outstanding in Docket U-99-120. Accordingly, should this Stipulation be approved by the Commission, there will be no need to convene the public hearing in this Docket, which is presently scheduled to commence on Friday, May 26, 2000 at 8:30 a.m.

3. As described in greater detail in Paragraphs 4 through 7 below, Stipulations are also being filed simultaneously in Dockets U-99-107, U-99-119, U-99-121, U-99-122 and U-99-123. Commission approval of this Stipulation is both premised and conditioned upon Commission approval of all five of those companion Stipulations.

4. The substance of this Stipulation (and the five companion Stipulations referred to in Paragraph 3, above) relates to the transfer of ownership, control and operational responsibility for 13 local exchange telephone service areas which are currently being operated by GTE Alaska Incorporated ("GTEA") pursuant to Certificate of Public Convenience and Necessity No. 3. Listed alphabetically, the thirteen Alaskan communities affected by these Stipulations are: Barrow, Bethel, Haines, Hyder, Klukwan, McGrath, Metlakatla, Moose Pass, Nome, Petersburg, Seward, Unalakleet and Wrangell.

5. In Docket U-99-107, GTEA and ATEAC have jointly applied for authorization to transfer the ownership, control and operational responsibility for all thirteen of the communities listed in Paragraph 4 above from GTEA to ATEAC.

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
APPENDIX
Page 2 of 11

6. ATEAC, however, was created by its four corporate shareholders primarily as a vehicle whereby each of those shareholders could acquire the particular aspects of GTEA's operations with which they are most geographically proximate and with which they are most harmoniously merged. Consequently, none of the parties to this Stipulation expects or intends that ATEAC itself ever will or should have operational responsibility for any of the exchange areas at issue here.

7. In the five related "drop-down" Dockets (U-99-119, U-99-120, U-99-121, U-99-122 and U-99-123), ATEAC and its shareholders have jointly applied for Commission approval of the following "drop-down" transfers:

ATEAC Shareholder	Affiliated Drop-Down Transferee and Related Docket Number	Locations of GTEA Assets to be Purchased
Alaska Power & Telephone Company	U-99-119: Alaska Telephone Company	Haines, Hyder, Klukwan, Metlakatla, Petersburg and Wrangell
Arctic Slope Telephone Association Cooperative, Inc.	U-99-120: Arctic Slope Telephone Cooperative, Inc.	Barrow
TelAlaska, Inc.	U-99-121: Interior Telephone Company, Inc. U-99-122: Mukluk Telephone Company, Inc.	Moose Pass and Seward Nome
United Utilities, Inc.	U-99-123: United-KUC, Inc.	Bethel, McGrath and Unalakleet

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
APPENDIX
Page 3 of 11

II

PERTINENT PROCEDURAL HISTORY

8. On October 20, 1999, ATEAC and ASTAC jointly filed their Application to Transfer Assets Operated Pursuant To Certificate of Public Convenience and Necessity No. 3 from ATEAC to ASTAC.

9. On January 4, 2000, by Order U-99-120(1), the Commission designated the PAS as a party to Docket U-99-120. The Commission ordered the PAS to investigate all relevant issues and, as necessary, present the results of the investigation to it and submit stipulations of agreed upon issues for the Commission's approval.

10. On January 24, 2000, by Order U-99-120(2), the Commission adopted the hearing and filing schedule which has governed all further activity in this proceeding to this juncture.

11. On February 7, 2000, the PAS served its First Discovery Requests on ASTAC. On February 18, 2000, ASTAC timely responded to those discovery requests. During the discovery period, the PAS has served supplemental discovery requests on ASTAC, and ASTAC has responded in a timely fashion to all such supplemental discovery requests.

12. On February 25, 2000, ATEAC, ASTAC and the PAS each timely filed their respective Preliminary Issue Statements.

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
APPENDIX
Page 4 of 11

13. On March 17, 2000, ASTAC timely filed its initial witness list and the following pre-filed testimonies:

David S. Fauske, General Manager
Steven R. Tarola, Chief Financial Officer
James O. Wickham, Chief Technology Officer
Remi Sun, Information Services and Regulatory Manager
Donald F. May, Public Utility Consultant
James A. Durant, Public Utility Consultant
George N. Ahmaogak, Honorable Mayor of the North Slope Borough
James W. Vorderstrasse, Honorable Mayor of the City of Barrow

14. On April 17, 2000, the PAS timely filed its witness list and the pre-filed testimony of its witness Lew Craig.

15. On April 26, 2000, ASTAC timely filed its reply witness list and the pre-filed reply testimony of its General Manager, David S. Fauske.

III

NATURE OF THE ISSUES PRESENTED

16. Under well-settled precedent from this Commission's predecessor agency, the Alaska Public Utilities Commission, the two predominant issues in any certificate transfer proceeding are:

- whether the proposed transaction is affirmatively in the public interest; and
- whether the applicant is fit, willing and able to provide the proposed service under the criteria for certification set forth in AS 42.05.241.

See, e.g., Combined Orders U-96-120(5)/U-97-188(1) at 26; Order U-96-121(5) at 7; Order U-84-67(4), (6 APUC 612 at 618).

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APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
APPENDIX
Page 5 of 11

17. As described in Paragraphs 21 and 22 below, the PAS has proposed that the transfer at issue here should be approved subject to certain conditions. Consequently, the final issues presented in this docket are:

- (a) whether the proposed transfer of assets to ASTAC is affirmatively in the public interest;
- (b) whether ASTAC's certificate of public convenience and necessity should be modified to include the Community of Barrow; and
- (c) whether the conditions proposed by the PAS should be required.

18. As set forth in Sections IV & V below, all of the issues identified in paragraph 17 above have been resolved. The parties agree that the modification of ASTAC's certificate of public convenience and necessity and the transfer of assets to ASTAC should be approved subject to the requirements set forth below.

IV

EVIDENTIARY SUPPORT FOR THIS STIPULATION

19. In conformance with 3 AAC 48.166, the evidentiary support for this Stipulation consists of the following documents of record, all of which are incorporated herein by this reference:

- (a) The Joint Application of ATEAC and ASTAC, dated October 20, 1999, including all of the exhibits and attachments incorporated therein;
- (b) The pre-filed testimonies of David S. Fauske, Steven R. Tarola, James O. Wickham, Remi Sun, Donald F. May, James A. Durant, George N. Ahmaogak, and James W. Vorderstrasse filed on March 17, 2000;

(c) The pre-filed testimony of PAS Witness Lew Craig, filed on April 17, 2000;

(d) The pre-filed reply testimony of ASTAC General Manager, David S. Fauske filed on April 26, 2000.

20. The parties agree that the prefiled testimony of all parties shall be received into evidence in this proceeding, and all parties waive cross-examination.

21. Briefly summarized, the evidence catalogued in Paragraph 19 above establishes that ASTAC is fit, willing and able to provide local exchange telephone service in Barrow, Alaska and the proposed transaction is affirmatively in the public interest and should be approved, subject to the conditions recommended by the PAS as set forth below.

V

SUBSTANTIVE STIPULATED PROVISIONS

22. Based on the evidence catalogued in Paragraph 19 above, the parties stipulate as follows:

(a) The proposed transfer gives control of local exchange service to an existing Alaska utility, ASTAC, with contiguous service areas that should make the service more consistent and responsive to Alaska consumers in Barrow.

(b) ASTAC has the managerial, technical and financial fitness to provide these additional services.

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
(APPENDIX
Page 7 of 11

(c) It is affirmatively in the public interest to approve with conditions the application and the transfer of the assets and service area from ATEAC to ASTAC.

(d) Both of the transfers pending in Dockets U-99-107 and U-99-120 should be approved by this Commission and should occur simultaneously, subject to the conditions set forth in Subparagraphs (e) through (h) below;

(e) ASTAC should be precluded from recovering in its rates the acquisition adjustment it will incur in connection with its purchase of the assets of GTEA which pertain to the provision of local exchange telephone public utility service in the community of Barrow, Alaska;

(f) By or before June 30, 2002, ASTAC should either initiate, complete and secure certification of a deregulation election involving the GTEA subscribers in the Barrow local exchange service area pursuant to AS 42.05.712 and 3AAC 49.010 et. seq. or file a revenue requirement study and a cost of service study for the Barrow local exchange and Barrow local special access jurisdictions (such that the Barrow local exchange will operate as a regulated utility), using a test year ended December 31, 2001;

(g) Pursuant to AS 42.05.711(d), AS 42.05.712(d) and 3AAC 49.090, ASTAC should be allowed to:

(i) present the deregulation issue to the Barrow subscribers using the following language:

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APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)
APPENDIX
Page 8 of 11

"Shall Arctic Slope Telephone Association Cooperative, Inc.'s local exchange telephone operations in Barrow, Alaska be exempt from regulation by the Regulatory Commission of Alaska?"; and

(ii) present any and all notices and related explanatory materials simultaneously in both English and Inupiat pursuant to AS 42.05.712(c). ASTAC agrees that these explanatory materials will include, but not be limited to, information informing the Barrow subscribers that they will be represented by a single member on ASTAC's Board of Directors.

(h) Until either the deregulation election has been certified or the rate case described in Subparagraph (f) above has been adjudicated, ASTAC will maintain the local exchange rates that have hitherto been charged by GTEA in the community of Barrow, Alaska.

VI

RESERVATION OF THE COMMISSION'S ADJUDICATORY DISCRETION IN UNRELATED PROCEEDINGS

23. Except insofar as this Stipulation is interrelated with the companion Stipulations which are being filed simultaneously in Dockets U-99-107, U-99-119, U-99-121, U-99-122 and U-99-123, nothing in this Stipulation is intended to, or shall, limit the Commission's powers conferred by statute or bind the Commission in a future proceeding.

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS (U-99-120)
42472

ORDER U-99-120(4)

Page 9 APPENDIX
of 11

VII

RESERVATION OF PARTIES' ADVOCACY POSITIONS IN THE
EVENT THIS STIPULATION IS NOT ACCEPTED IN ITS ENTIRETY

24. If within thirty days after the filing of this Stipulation the Commission has failed to accept this Stipulation in its entirety, any party may then withdraw from this Stipulation by serving a written notice of withdrawal upon the other parties and the Commission, and proceedings in Docket U-99-120 will thereupon continue as if this Stipulation had never been entered. After such notice of withdrawal has been served, this Stipulation may not thereafter be tendered or received in evidence, no party may use this Stipulation against any other party, and no third party shall have any rights in consequence of the fact that this Stipulation had previously been entered into or submitted to the Commission for approval.

RESPECTFULLY submitted this 4th day of May, 2000, at Anchorage,
Alaska.

BRUCE M. BOTELHO
ATTORNEY GENERAL

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Steven D. DeVries, Assistant
Attorney General, Attorney
for the Public Advocacy Section

ATEAC, INC.

By: Robert E. Stoller

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ARCTIC SLOPE TELEPHONE
ASSOCIATION COOPERATIVE, INC.

By: Joseph M. Moran

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STIPULATION FOR APPROVAL OF
APPLICATION SUBJECT TO CONDITIONS
42472

ORDER U-99-120(4)

APPENDIX
Page 10 of 11

CERTIFICATE OF MAILING

I certify that on May 24, 2000, I have personally served by hand delivery and/or U.S.P.S. a copy of the above submission to:

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APPLICATION SUBJECT TO CONDITIONS (U-99-120)
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ORDER U-99-120(4)

Page 11 of 11
APPENDIX

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
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18
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STATE OF ALASKA
THE REGULATORY COMMISSION OF ALASKA

Before Commissioners:

G. Nanette Thompson, Chair
Bernie Smith
Patricia M. DeMarco
Will Abbott
James S. Strandberg

In the Matter of the Joint Application of ATEAC,)
INC. and ARCTIC SLOPE TELEPHONE)
ASSOCIATION COOPERATIVE To Transfer)
Assets Operated Pursuant to Certificate of Public)
Convenience and Necessity No. 3, Authorizing)
Provision of Telecommunications (Local)
Exchange) Public Utility Service, From ATEAC,)
INC., To ARCTIC SLOPE TELEPHONE)
ASSOCIATION COOPERATIVE)

U-99-120

CERTIFICATION OF MAILING

I, Ruthie J. Lee, certify as follows:

I am an Administrative Clerk II in the offices of the Regulatory
Commission of Alaska, 1016 West Sixth Avenue, Suite 400, Anchorage, Alaska 99501.

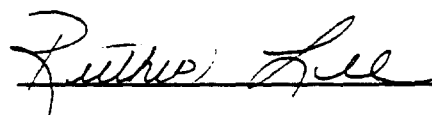
On July 13, 2000, I mailed copies of

ORDER NO. 4, entitled:

ORDER ACCEPTING STIPULATION,
SUBJECT TO CONDITIONS: DESIGNATING ELIGIBLE TELECOMMUNICATIONS
CARRIER STATUS: AND REQUIRING FILING
(Issued July 12, 2000)

in the proceeding identified above to the persons indicated on the attached service list.

DATED at Anchorage, Alaska, this 13th day of July, 2000.



**SERVICE LIST
U-99-120**

**July 11, 2000
Page 1 of 3**

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July 11, 2000
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Page 3 of 3

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